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IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

No. 880

CHAMPION SPARK PLUG COMPANY,
a corporation,

Petitioner,

vs.

PETER SANDERS, SAMUEL SANDERS, and HARRY SANDERS, doing business as the Perfect Recondition Spark Plug Company,

Respondents.

BRIEF ON BEHALF OF PETER SANDERS, *ET AL., RESPONDENTS*

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

No. 680

CHAMPION SPARK PLUG COMPANY,
a corporation,

Petitioner,

vs.

PETER SANDERS, SAMUEL SANDERS, and HARRY SANDERS, doing business as the Perfect Recondition Spark Plug Company,

Respondents.

RESPONDENTS' BRIEF

Preliminary Statement

This case is here on writ of certiorari issued to the Circuit Court of Appeals for the Second Circuit.

The suit was brought by a manufacturer of spark plugs against certain repairmen who reconditioned such plugs. The manufacturer claimed that retention of its trade-mark constituted infringement and unfair competition. The District Court required the repairmen to remove the manufacturer's trade and style marks from the plugs, and forbade the repairmen to put the trade name of the plugs, or the style marks, on their containers, or to refer to such trade name in their advertising, etc., and required the repairmen,

even after this had been done, to repaint, stamp, and otherwise alter their property. The Circuit Court set aside these requirements, but required the repairmen to put their name and address on the containers, and indicate that the reconditioning was done by them. The Circuit Court decision also requires the repairmen to stamp the plugs "used", which they were already doing, and to paint them certain prescribed colors, all of which differ substantially from the color of a new plug.

No finding of any dishonesty or bad faith on the part of the repairmen or any of their customers was made by either Court. There is no fraud in this case. Both Courts denied an accounting.

The Opinions Below

The opinion of the District Court on final hearing is reported at 61 Fed. Supp. 247 and is printed in the record beginning at page 513. The earlier opinion of that Court on the motion for preliminary injunction is reported at 56 Fed. Supp. 782, and appears on page 491, *et seq.* of the record.

The opinion of the Circuit Court of Appeals, filed July 10, 1946, is reported at 156 Fed. (2d) 488, and is printed in the record at page 577, *et seq.* Supplemental opinions of that Court on rehearing, not yet reported, appear in the record at pages 601 and 603.

Jurisdiction of this Court

This suit arises under diversity of citizenship and the U. S. Trade Mark Laws, 28 U. S. C. Sec. 41(7). The jurisdiction of the Court has been evoked under Sec. 240(a) of the Judicial Code, as amended Feb. 13, 1925 (28 U. S. C. 347(a)).

Respondents' Legal Theory

The respondents have collected used trade-marked articles, manufactured by petitioner, made ordinary repairs thereto, and sold them, honestly, as repaired articles originally manufactured by petitioner. Because of use, and ordinary repairs made to the articles by someone, either defendants or prior owners, the repaired articles *of necessity* no longer correspond exactly to the petitioner's factory specifications for the new article. In practice such variations are insufficient to materially affect the functioning of the used and repaired article. Without any finding of fraud or palming off in the case, the District Court held that, merely because of such inevitable variations, common to all repaired merchandise, the respondents were guilty of "trade mark infringement". The injunction thereupon issued by the District Court is of so drastic a nature as to make the repaired article unmarketable, drive respondents out of business, and make the used and repaired article unobtainable by consumers who now desire and use it at great economy of price, and to enable petitioner to monopolize and control, and even extinguish, its second-hand market.

The respondents claim that the petitioner manufacturer possesses no right in law to compel the removal of its trade-mark and style mark from the used and repaired article, honestly sold as such, or that, conversely, defendants possess an implied license to repair and sell such used articles while retaining the trade-mark petitioner itself placed thereon. Respondents claim that in advertising, packaging, and selling such used and repaired articles of plaintiff's original manufacture, honestly as such, they are only telling the truth, and that equity will not enjoin against telling the truth. Respondents claim that the District Court's erroneous decision, and the petitioner's en-

tire position, is based on a fundamental misconception of the nature of a trade-mark, namely, that instead of indicating the original manufacturer, it designates the merchandise. Under the erroneous designation theory, of course, if the trade-marked article get so much as a scratch or an indentation on it, even while new, the trade-mark would have to be removed because the article would not be in accordance with the original factory specifications. And no used article could be sold with the trade-mark thereon, because use, even without repair, involves wear and consequent change from the original factory specifications.

The second aspect of the case, quite apart from trade-mark law, is the question of public policy. Respondents claim that the petitioner's contentions, and the injunction issued by the District Court, are contrary to the interests of consumers, foster monopoly and restrain trade, and would enable manufacturers of trade-marked goods to control and even destroy their second-hand competitors, all in violation of the public policy of the United States. Such a rule of law would violate the policy of Congress, as indicated in the action on a certain provision of the Lanham Trade-Mark Bill, and would ruin the nation's trade in second-hand goods, and equity will not issue an injunction contrary to the public policy and interest.

Petitioner was properly refused an accounting because the grant of an accounting under the statute is discretionary and not mandatory. Discretion was properly exercised because the respondents have in good faith always contested such claims as petitioner asserts, respondents have not palmed off the reconditioned plugs as new plugs, no wrongful intent to injure the petitioner was shown, no substantial damage was shown, no buyers were shown to have been misled, the respondents are only a small concern,

the petitioner waited fifteen years before bringing suit, and respondents have for years been conducting their business in accordance with an order of the Federal Trade Commission.

Brief Summary of the Testimony

Petitioner's officers testified by affidavit that the petitioner manufactures spark plugs under the trade-mark "Champion", and that such plugs are extensively advertised and used. They said that all spark plugs look more or less alike and that usually they are sold on the reputation which is connected with the name appearing thereon (R. 38). They said that no manufacturer of spark plugs could sell enough to make a profit without spending large sums on advertising, and this without regard to the merits of the plug (R. 42). They stated that numerous manufacturers have failed in the business because their plug was not known to the motoring public and the name thereon carried no significance (R. 38). Petitioner, said they, has long recognized that when plugs have been subjected to long usage their operation may be improved by appropriate cleaning operations, the removal of the burned and pitted portions of the center electrodes and readjustment of the side electrodes to provide proper gap spacing. Car owners have been encouraged by petitioner to have such operations conducted, and petitioner has made equipment available for this purpose to persons interested. Other leading spark plug manufacturers have supplied similar equipment, with the result that many garages and service stations throughout the country are equipped with facilities for such operations (R. 41).

Petitioner's witness Grant, a former service manager, indicated that it was possible by ordinary visual inspection,

aided by such repairing and testing equipment, to determine whether a used plug is defective, and that it is possible by visual inspection to determine whether a used plug is merely fouled by deposits which have accumulated on the insulator (R. 71). He said there are various causes of fouling due to external conditions, not the fault of the plug (R. 71), and sometimes customers discard plugs that are merely fouled and otherwise structually satisfactory, and at times they even discard plugs that are not fouled, merely because they want to change all the plugs in the engine (R. 72). The nature of the deposits that accumulate on the plug is such that it requires sand blasting to remove them (R. 74). This is a satisfactory and common method of accomplishing the needed result, and is used in the machines put out by the petitioner (R. 74). He said that wearing away of the insulator could be due to either use or to sand blasting (R. 75, 76). He had no difficulty in telling that the respondents' plugs were not new plugs. The respondents' reconditioned plugs were painted, where new plugs are not (R. 76), and he never saw the word "renewed", found on respondents' reconditioned plugs, or any new plug (R. 77). He could tell to a certainty by visual examination that respondents' output are not new plugs (R. 77). Unless an outlet for spark plugs has a repair shop connected with it, all the sales of plugs are over the counter, in which case, of course, the purchasers see the carton in which the plug comes (R. 80). When he had a service station and bought new plugs from the petitioner they came through with a standard gap and were reset in a service station to the proper gap (R. 85). Very few car owners ever attempted to reset the gap (R. 89). Owners of large fleets of trucks and taxicabs use reconditioned spark plugs, and such fleet owners frequently keep a more accurate record of costs of operation than individual car owners (R. 93). Although

the petitioner recommends discarding spark plugs after 10,000 miles, this witness claims that the average life of a spark plug is 15,000 to 20,000 miles (R. 96). When a car owner comes into a service station with one plug giving trouble, it is common practice to take out the whole set of plugs, regardless of condition (R. 87, 98). The witness then stated that the samples of respondents' output he was examining, petitioner's Exhibits 1 through 4, were Champion spark plugs that had been used, and that to say that they were used or reconditioned or repaired Champion spark plugs would be a truthful description of them (R. 102, 103).

The next witness for the petitioner was their ceramic expert, Mr. Royal. He said that cleaning or reconditioning does not make the porcelain porous, as it is not porous to begin with, nor does it make the porcelain brittle (R. 128, 129). He demonstrated in court that the trade-mark on the plug could be removed by an application of a mixture of hydrochloric and hydrofluoric acids, and said that such mixture was in use in the petitioner's plant. He admitted, though, that hydrofluoric acid attacks silica compounds (R. 130) and that the acid would dissolve the glaze of the insulator (R. 130). He conceded that concentrated hydrofluoric acid is a corrosive, dangerous chemical which can produce severe burns (R. 125) and is even dangerous in evaporated form (R. 132). These burns are not immediately manifested but later may become very painful (R. 133). The gases given off as a result of the contact of the acid with the insulator are poisonous, and in petitioner's Toledo plant ventilating equipment is installed to take care of it (R. 138).

The petitioner's witness, Sibley, gave testimony to the general effect that certain slight changes in measurements were visible between new plugs and the used and repaired

plugs sold by defendant, and that such second-hand plugs showed evidence of wear and usage. In the plugs that he examined, burning of the side electrodes had been repaired by welding on new side electrodes (R. 177).

The chief difference, he said, in style and functioning of spark plugs is in their heat range, which is the temperature at which the plugs operate in the engine. The purpose of variation in the "critical measurements" of the firing end, and the object of differences in design, are to change the heat range of the plug (R. 233). On new models of cars the right plug is determined by experimenting with plugs of various heat ranges in the engine. Thus the right plug for a new car is determined by trial and error, and usage. On old cars, likewise, the fitness of a particular plug for a particular engine is determined by the way it actually performs in the engine (R. 233). The same engine might require plugs of different heat ranges under different conditions of operation and at different ages of the motor (R. 233). The preconceived design and recommendation of a plug must always be subordinated to the way the particular plug actually performs in a particular engine, and variations in "critical measurements" of a plug are only important in so far as they affect the performance of the plug in the engine (R. 233). He claimed that some of the changes observed in the respondents' used plugs would affect the heat range, but in the exhaustive examination he made of the used plugs, he made no tests to determine their heat range, although he possessed testing equipment for the purpose (R. 271). No proof was offered by Sibley or anyone else that the change in heat range was material, *i. e.*, sufficient to change it to that of a plug of a different type number, and on the contrary, respondents' expert witness testified that the change in heat range was minute and

theoretical (R. 432), did not affect the functioning of the plugs (R. 424), and in practice was meaningless.

Although the petitioner stresses that it makes over 70 varieties of plugs, only a portion thereof are automotive plugs, and moreover, the 70 varieties abound in non-functional differences, such as the size of the hole into which they fit in the engine, the slant of the threads, and the clearance of the cylinder. Consequently, Sibley admitted that eleven of these 70 varieties would service practically all passenger cars, and that of cars having a 7/8-inch cylinder hole, one plug would service practically all of them (R. 225). For harder driving conditions, a car owner should shift to a plug of an adjacent heat range from that originally recommended for his car, as from a #7 to #7 commercial (R. 228). By accident or otherwise, some of these two models were packed together by respondents, in the plugs Sibley examined.

Sibley confirmed that a spark plug can foul in the first few hundred miles of operation, due to driving and engine conditions, without any structural change in the plug itself (R. 240). Fouled plugs can be reconditioned and tested in the Champion "testing unit", which shows all except obscure defects, and these obscure defects are comparatively rare, and are speedily discovered in operation in the car (R. 243). A person familiar with spark plugs, and like the respondents, possessing such a testing unit, can determine in the very great majority of instances whether a spark plug is fit for further use (R. 243). In order for a fouled spark plug to be unfit for further cleaning and use the porcelain would have to be broken, or the gap impossible to restore (R. 225). None of petitioner's plugs, reconditioned by respondents, contained any broken porcelains (R. 225).

Sibley claimed that the type of welding used by respondents to put on new side electrodes when necessary, was a type that had been used and abandoned by petitioner, but he admitted that some dealers may still have petitioner's new plugs with the type of welding of the side electrode seen on respondents' output of repaired plugs (R. 230, 231).

Sibley said that his understanding of the term "rebuilt plug" is one with new insulators and new center electrodes (R. 229), and that people who clean used plugs call them "reconditioned" (R. 235), and even though the insulator be short, and the center electrode be short, and so forth, they are still "reconditioned plugs" (R. 235). The term "recondition the insulator" as used by the petitioner in its instructions to motorists means to clean the deposits off the insulator (R. 240).

A spark plug does not possess moving parts. Sibley stated that the chief thing that determines the life of the plug is the wear of the electrodes (R. 244). Wearing of the electrodes is incidental to use; there is little wear of the insulator in use (R. 281). Cleaning of the plugs by sand-blasting is recommended by petitioner during the life of the plug, and this has some tendency to wear the insulator, and some allowance for this is made in manufacturing (R. 281, 282). He estimated that the useful life of a plug was from 3,000 to 30,000 miles, depending on conditions (R. 249).

The petitioner relies on the customer to reset the spark gap for his particular car (R. 254). No instrument is furnished with the plug or carton, to reset the gap, and in practice the average motorist does not change the gap to the proper one for his car (R. 245). The resetting is done by bending the side electrode, and this throws any parallel facing of the two electrodes out of alignment (R. 254).

The petitioner's witness Doyle likewise testified that the test of whether a plug is good or bad is its actual performance in a car (R. 183). He said that plugs are sold in accessory stores over the counter, and the customer sees the carton; he does not see the carton only in places that have a repair shop, and then only when the car is left for repair (R. 184). In his service station the mechanics check the gaps on petitioner's new plugs to see that they are correct (R. 190). This is in addition to resetting instructions (Pltf. Ex. 13).

The petitioner's witness Klein said that it is the regular practice in his repair shop to sandblast and reset gaps on used plugs (R. 192). On new plugs he checks the gaps and resets them to the specifications for the motor (R. 193). He is familiar with the term "reconditioned plug"; it means a plug that has been cleaned and repaired and restored somewhat to usefulness. Generally the idea of what is known as reconditioning in the trade is cleaning and restoration of the gap (R. 194).

Respondent Samuel Sanders testified that the defendants entered the business of reconditioning spark plugs in 1930 (R. 296). Originally in the auto repair business, respondents learned from the petitioner of their reconditioning unit, and bought one from the distributor of the petitioner (R. 297). As demand increased, respondents advertised in trade journals, daily newspapers, radio and billboards; and signs on the establishment (R. 298, 299). Men were sent out to collect plugs, with instructions to bring in only selected plugs (R. 298). Business grew, and from experience a sandblaster was developed superior to the Champion unit. The advantage of such sandblaster now used by respondents is that the abrasive does a better job without so much dust and the sandblaster has a window for observation (R. 343).

Such reconditioned plugs have been sold to distributors, fleet owners, taxicab and truck owners, and anyone else interested. In later years they have been shipped throughout the world, including some on lend-lease (R. 299).

In all of respondents' advertising and selling efforts the plugs have only been represented as used or reconditioned plugs (R. 301). The word "reconditioned" has always been used in the respondents' trade name, in signs on the front of the establishment (R. 299), and also on bill heads, order blanks, and letterheads (R. 301, Deft. Exs. G-1, G-2 and G-3).

Prior to 1936, when the petitioner first complained to the respondents about reconditioning, the respondents had devoted all of their time since 1930 to reconditioning plugs (R. 308), and were making sales in lots of a thousand or more (R. 309). This is the first litigation the respondents have had with the petitioner over the issues herein. Peter Sanders dissolved his connection with the business in 1943, prior to the institution of this lawsuit (R. 337).

The reconditioning process used by respondents generally corresponds to the process recommended by petitioner to car owners. The tester used is the one put out by petitioner (R. 330). When used plugs are brought in for reconditioning they are inspected regularly and those found not to be reuseable are discarded (R. 320). The respondents ordinarily reset the gaps on reconditioned plugs by bending the side electrodes (R. 328). The side electrode is only removed and replaced when it is very badly burned and there is no possibility of otherwise regapping the plug (R. 327). Only 15 to 20% of respondents' output have new side electrodes (R. 358), and these are the plugs that have had the hardest usage (R. 359). It is such plugs, that have had the hardest usage, that petitioner secured and used

as a basis of comparison with new plugs in this lawsuit. Respondents confine themselves to repairing, as distinguished from rebuilding, and though there are new Champion cores, with new center electrodes, on the market, respondents do not use them (R. 346).

The heat range of the reconditioned, or any other plug, cannot be determined by visual examination of the firing end, but only by reference to the trade-mark and type number (R. 363). The heat range of the reconditioned plugs has evidently not been adversely affected by use and repair, for he has tested the reconditioned plugs in engines and they functioned like new plugs (R. 306). The hex of the plug, where the word "used" is stamped by defendants, can be readily seen when the plug is installed in the engine (R. 306).

The respondents' witness Davis testified that he bought respondents' reconditioned plugs, that respondents always sold and advertised them as reconditioned plugs and that he resold them on the same representation to fleet owners (R. 352, 353).

The respondents' witness Turner testified that he was a jobber, and that the respondents' plugs were always sold to and by him as reconditioned spark plugs (R. 357).

The testimony of the respondents' witness Lee, a collector of spark plugs was stipulated to be that he collected only selected plugs and turned them over to respondents (R. 356).

Respondent Samuel Sanders had testified that the new side electrodes which appear on some of the respondents' output was the No. 63 wire of the Driver-Harris Company (R. 307). Mr. Pinney of that company then testified that such wire was an alloy produced by them for 25 years for

use only as electrodes in spark plugs. It has no other purpose (R. 373).

The respondents' witness Gedde then testified that he is a fleet superintendent, now having 300 cars under his supervision, and that in his former job he had 1500 cars in his care (R. 376). He said that on L-head engines the hex of the plug, where the word "renewed" is stamped by respondents, is nearly always visible, and on overhead valve engines it is not so visible, but that the great majority of cars have L-head engines (R. 377). He stated that the term "reconditioned plug" means one that has been placed in operating condition, as by cleaning (R. 377). When new cores are put in, which is not the case with respondents' plugs, and all worn parts are replaced with new, it is known as a "rebuilt plug" (R. 377). With all his experience, without reference to the trade-mark and type marks on the plugs, going solely by visual inspection of the plug, he could only guess the heat range within two heat ranges (R. 378). On behalf of his employers he has bought many hundreds of respondents' reconditioned plugs, and given repeat orders. He has bought as many as 5,000 at one time (R. 379). In use respondents' reconditioned plugs were satisfactory (R. 383). Some plugs had new side electrodes and these also were satisfactory (R. 383).

The deposition of the respondents' witness Reich was to the effect that he had been a reconditioner of spark plugs against whom the petitioner had been successful in getting an injunction requiring him to remove the trade-marks and type marks (R. 388). This direction destroyed the profit possibilities of the business (R. 389). The buying public was unwilling to buy a second-hand article without knowledge of the original manufacture (R. 389). Although the reconditioner attempted to supply knowledge of the

type of plug by a new set of type numbers, the confusion created by the removal of the original type number was only increased thereby, and the difficulties of educating the public to a new set of type numbers proved too great to be overcome (R. 390).

The deposition of the respondents' witness Cameron showed that he was a qualified engineer (R. 392) and that he tested 40 samples each of petitioner's new plugs and respondents' reconditioned plugs and found them similar in all tests (R. 393, 394). He stated that external conditions of driving, and the motor condition, determine the desirable spark plugs for a particular engine so much that spark plug designers can have only a general idea of the proper plug, and any sound judgment on the proper plug for a particular engine is determined empirically by its actual performance in the engine (R. 394, 395). Consequently, since respondents' reconditioned plugs perform as well as new plugs, there is no sound engineering basis for any contention that essential characteristics of new Champion plugs have been lost, and the plugs are properly described as reconditioned Champion spark plugs (R. 396). He said that the slight counter-sinking of the insulator, called by petitioner the "petticoat", was without important functional value (R. 396). The placing of a new side electrode on some plugs by respondents is only a minor repair (R. 397). The spark plug wire used by respondents to repair such side electrodes is of as good quality as that originally used by petitioner (R. 397). Removal of the trade-marks on the insulators would injure the glaze and cause the insulator to become dirty and lose value as an insulator (R. 398), and the use of the recommended acid would attack the gasket on the plug and cause the plug to leak pressure and become unsatisfactory (R. 398).

The deposition of the respondents' witness Baldwin, a qualified engineer (R. 399), was in large part admitted by petitioner pursuant to a demand for admissions, and such part need not be recited. However, he also stated that the area of sparking surface, and the relative position of the electrodes, had no relation to the intensity of the spark, and the intensity of the spark would be the same if the gap remained the same (R. 401). A slight variation in the location of the spark such as would be caused by the shortening of the center electrode 1/32nd of an inch could not possibly affect the operation of the engine (R. 402).

Pursuant to a demand for admissions, petitioner admitted that the maintenance of parallel plane surfaces of the electrodes was not important because the current jumps from point to point, and not from plane to plane (R. 407), and the petitioner's electrodes are not made with true plane surfaces, nor are they set in true parallel planes (R. 408). Petitioner admitted that the great speed of the current meant that shortening of the electrodes did not materially affect the time of delivery of the spark (R. 408). It was further admitted that a spark plug may foul in less than 500 miles of driving due to improper carburetor setting, too much use of the choke, etc., and that some owners discard plugs that are fouled and not otherwise defective, and that such plugs are capable of further efficient use if properly cleaned (R. 408). It was admitted that petitioner's plugs are interchangeable between the same make and type of car (R. 408), and that if fouled plugs are taken out of one car, and reconditioned, and replaced in another car of the same type, model, and make, they will generally give the same service that they would if replaced in the former car (R. 409). Petitioner also admitted that reconditioned spark plugs are used by some owners of fleets of taxis and trucks (R. 409).

The respondents' witness Anderson, a spark plug manufacturer, testified that the meaning of the term "reconditioning" a plug meant to clean it out and put it in good shape, as far as working is concerned, clean the carbon out of the insulator, etc. (R. 411). He said that sandblasting had no material effect on the insulator (R. 411).

The respondents' witness Kasarjian, chief engineer of the Aero Spark Plug Company, and former ignition expert for the U. S. Navy (R. 416), testified that he had examined and tested respondents' reconditioned plugs in comparison with petitioner's new plugs and could not find any material discrepancy between them and their performance. They tested alike (R. 417, 418). The slight differences between the firing ends of the new and the reconditioned plugs involved no material difference in the heat range (R. 424) or the spark position and could not affect the functioning of the plug (R. 424). He summed it up by saying that while it was theoretically true that use and repair resulted in changes in the reconditioned plugs, these were so slight and immaterial (R. 443), that they were of no practical importance (R. 429, 430). Kasarjian said that "reconditioning" a plug means to clean the core of deposits which were conductors, set the gap, ~~and determine by~~ some means, such as a firing test, that the insulator was sound (R. 416, 417). On the other hand, in the industry plugs that had had the core or shell replaced were called "rebuilt" plugs (R. 419). Putting on a new side electrode had never been known to affect the characteristics of the plug (R. 419). He explained that slight variations in the gaps of the reconditioned plugs did not mean anything, because the gap varies as the plug is used in the engine (R. 440)—the gap burns away about one-thousandth of an inch for every twenty-five hours of driving (R. 440). Thus in use the gap varies quite a bit, but evidently doesn't make any difference within a variation of

quite a few thousandths of an inch. Bureau of Standards tests have shown that if the spark generator is strong enough to jump the gap, the wider the gap the better the ignition (R. 441).

In rebuttal the petitioner offered affidavits from parties in Kansas City indicating that plugs reconditioned by a successor to Reich's business were for sale in a store in Kansas City, with the trade and type marks removed (R. 457, 458). The effect of these affidavits is destroyed by a much later affidavit from Reich showing that the store found it impossible to market the plugs in such a condition and was compelled to close out the line at reduced prices (R. 551), that shipments of such plugs without trade or type marks were returned by buyers (R. 551, 552), and that it was not commercially feasible to sell plugs so treated (R. 552), as buyers could see no reason for it, would order a shipment, and then return it.

This up-to-date affidavit from Reich is one of those on the motion for new trial. The motion for new trial and accompanying affidavits are made part of the record in this case by stipulation of the parties pursuant to Rule 75(f) of the Rules of Civil Procedure (R. 569). These affidavits are uncontradicted (R. 562), and show that the petitioner does not have a valid registered trade-mark (R. 542), that it is commercially impossible to market reconditioned spark plugs with the trade and type marks removed (R. 543), that reconditioners who have been required to remove them have been put out of business (R. 556), or their venture proven commercially impractical (R. 554, 555), and that the petitioner, with two other huge concerns, monopolizes 100% of the sales of new plugs, and over 90% of the sales of all plugs (R. 546), and charges the consumer 13 or 14

times what they charge an automobile manufacturer for a plug (R. 545), and that enabling the petitioner to extend its monopolistic controls over its own second-hand market by the devious methods involved herein, is contrary to the interests of consumers, and to public policy.

ARGUMENT OF LAW

Preliminary Statement

It has been the practice of the petitioner in past briefs in this and other cases to quote large numbers of collateral cases, dealing with palming off and containing general remarks condemning unfair competition, usually the subject of extensive verbatim quotation, but passing no judgment on the rights of second-hand dealers. It is this argumentative practice that prompted the lower Court to say, at R. 515:

> "All cases relied upon by the plaintiff have been examined, and involve substitution or palming off, or the use of a trade name so as to suggest an untrue origin of the merchandise in question."

It was and is the view of respondents' counsel that such collateral cases are of negligible importance compared with the various cases dealing directly with the rights of second-hand dealers in trade-marked goods, which are sufficient in breadth and number of adjudication to furnish such guidance as the Court may wish to obtain from precedent in determining the equity of this case. Consequently, this brief is confined to the rights of second-hand dealers.

POINT I

The respondents have a right to buy used plugs, repair them, and sell them again with all the indicia of their origin placed thereon by petitioner.

No statute gives the petitioner the rights for which it contends herein. But the petitioner contends that its position, however inequitable and impractical, is irresistibly supported by binding case law. An examination of the authorities, however, shows that this is not true. As in so many legal problems, the best approach to the subject is the Historical one, in which the rules may be examined in both their origin and development.

Under the common law it was considered proper behavior for one to buy a trade-marked article, use it, repair it if necessary, and sell it again, and it never occurred to anyone that this was a "trade-mark infringement". The earliest challenge to this came from the Singer Manufacturing Company. This profitable monopoly, finding its patents running out, sought refuge in trade-mark theories to maintain its monopoly on the market. It sued, and argued that no one else might call his machine a Singer sewing machine, but this contention was stricken down by the Supreme Court in a famous case, on the ground that Singer sewing machine had become a generic term for that type of mechanical device. Likewise, they sued a second-hand dealer, contending that his purchase, repair, and resale of second-hand machines was an infringement of their trade-mark, but they got no further with this contention. The lower Court said that the dealer had the undoubted right to buy old machines, repair and sell them again, with all the indicia of their origin that the Singer Manufacturing Company had placed upon them, and while the Supreme

Court reversed the case on other grounds, it did not disagree with this position.

> *Singer Mfg. Co.* v. *Bent*, 41 Fed. 214, reversed on other grounds, 163 U. S. 205.

The Oliver Typewriter Company made a similar effort against a second-hand dealer, and failed. The Court said that there was no law forbidding the defendant to purchase second-hand Oliver typewriters, and sell them again after repair, as long as he made no effort to defraud the public.

> *Oliver Type. Co.* v. *Amer. W. M. Co.*, 156 Fed. 177.

In the following case where the second-hand dealer had engaged in fraudulent selling and advertising, the Court enjoined the fraudulent advertising and selling but did not require the removal of the trade-marks. Such an injunction, in facts much more extreme than in the case at bar, would seem to imply that requiring removal of trade-marks is improper.

> *Todd Protect. Co.* v. *Hedman Mfg. Co.*, 254 Fed. 929, aff'd 265 Fed. 273.

The rights of the second-hand dealers to retain the trade-mark are correctly based on the time-honored principle that equity will not enjoin against telling the truth.

> *Del. and Hud. Canal Co.* v. *Clark*, 13 Wall. 311.

Thus the Supreme Court in *Prestonettes* v. *Coty*, 264 U. S. 369, said:

> "When the mark is used in such a way that does not deceive the public, we see no such sanctity in the word as to prevent it being used to tell the truth. It is not taboo. . . . It seems to us no new right can be evoked from the fact that the perfume or powder is

delicate and likely to be spoiled, or from the omnipresent possibility of fraud."

Those second-hand dealers, like the defendants, were only telling the truth, in retaining the trade-marks. They in effect said to the public, "I have here an article, originally made by the firm whose name you see thereon, which is used and second-hand. I have repaired it so that it works, and offer it for sale." They were within their rights in retaining the original trade-mark, and so are these defendants.

The Federal Trade Commission, with its large staff of specialized attorneys, has frequently considered the problem, and has consistently followed the law, that is, it has never required trade-marks to be removed by second-hand dealers. Such decisions were reached in the following cases:

(a) Rebuilt tires:
Racine Tire Sales Co., 5 F. T. C. D. 327;

(b) Repaired typewriters:
Typewriter Emporium, 1 F. T. C. D. 105;
Dearborn Type Co., Docket 34;
Harry A. Smith, Docket 36;
W. H. Beardsley, Docket 35;

(c) Second-hand checkwriters:
The Check Writer Mgs. Inc., 4 F. T. C. D. 87;

(d) Reconditioned spark plugs:
McGowan and Hall, 15 F. T. C. D. 83;
Federal Auto Parts Co., 20 F. T. C. D. 334.

The Commission reached a similar decision in the proceeding brought against these defendants in 1939, referred to at page 439 of this record.

The foregoing is the law which applies to this case, and now it is time to discuss the cases which prompted the plaintiff to institute its program of attacking the reconditioners of its second-hand product. The first two cases involve the rebuilding of electric light bulbs. It seems that the old carbon filament bulbs were more expensive and had a shorter life, than bulbs today, and a business arose of cutting a hole in the bottom of used bulbs and replacing the insides, including a new filament, and sealing up the hole, whereupon the bulb would light again. At first the bulb was patented, and a suit was brought claiming that this was a patent infringement. The Court sustained the claim, holding that the operation was an entire reconstruction of the bulb, and not a repair, and hence an infringement under the well known rule. The opinion says that if the bulb lamp could be taken apart, like a wick lamp, and the operation had been an ordinary repair, like changing the wick, it would not be an infringement, but that the electric bulb was an organic whole, and cutting it up that way and replacing the entire insides was a reconstruction.

Edison El. Lt. Co. v. *Davis Elec. Works*, 58 Fed. 878.

The patents ran out, but the big manufacturers still wanted to embarrass and if possible remove their second-hand competition, so this second-hand business was again attacked, this time under the claim that the operation was a trade-mark infringement. This case was strategically brought in Boston, where the above *Davis* case had been affirmed on appeal. The District Judge then made an important decision. Without precedents to go by, except the *Davis* case, he said that he thought the rights of trade-mark owners were analogous to, though not as strong as, patent owners, and that consequently trade-mark owners could

enjoin a reconstruction, though not a repair, of a trade-marked article. Since this operation had been held in his Circuit to be a reconstruction in the patent case, he eventually issued an injunction requiring the removal of the trade-mark.

Gen. Elec. Co. v. *Re-Nu Lamp Co.*, 121 Fed. 164.

That was not a fraud or palming off case, and went solely on the reconstruction theory, and remains judge-made law by a District Court, unconfirmed by any affirmance on appeal:

The next case, also in Boston, was a fraud and palming off case, though unfortunately this does not adequately appear in the published decision of the Court. Appellee's counsel went to Boston and read the papers and made copies, with the result that this Court will have proper information about the case. A watch dealer bought new Ingersoll watches, and pasted a paper luminous dial over the manufacturer's plate, and on this new plate the watch dealer placed, himself, the manufacturer's trade-mark. The hands of the watch were removed, and the end of the second hand shaft was clipped off, to permit the addition of the paper dial. The second hand remained off permanently, and the clipping of the shaft threw the works out of adjustment, and the clearance of the minute and hour hands was changed, so that they would stick against the glass, and the total effect was to impair the time-keeping value of the watch. The re-modeled watch was packed in a box with a written Ingersoll guarantee, and palmed off as genuine Ingersoll Radiolite watches, and customers were told that if anything went wrong with the watch, including the permanence of the luminosity on the dial, they should send it to the Ingersoll concern for repair.

Ingersoll v. *Doyle*, 247 Fed. 620.

It is obvious that neither of these cases have anything to do with the facts at bar. The respondent's practice no such frauds, and do not reconstruct the plugs, but only repair them, as indicated by the District Court in its finding No. 23.

The petitioner then began to sue its reconditioners, and got injunctions in two cases where it offered proof that the reconditioner or the general run of his dealers, was selling the reconditioned plug as a new plug when new plugs were called for. In the first case, against a man named Emener in Detroit, the reconditioner's attorney signed a stipulation that the dealers were in fact selling the reconditioned plugs as and for new plugs. He took the position that Emener, the reconditioner, could not be held responsible for what the dealers were doing—an untenable position, for a man is responsible for the ordinary and probable consequences of his acts, and he was responsible for what the general run of dealers were doing, under the *Winsted Hosiery* case in the Supreme Court. The District Court granted an injunction, but refused an accounting, since the charge was based only on the acts of the dealers.

Champion Spark Plugs Co. v. *Emener*, 16 Fed. Supp. 816.

The petitioner's next effort was against a reconditioner named Reich in Kansas City. There the petitioner was able to prove, not only that Reich's dealers were selling his reconditioned plugs as and for new plugs, but that Reich himself had been guilty of bad practices. For that reason the petitioner obtained an accounting from Reich, though it had been denied one against Emener, who was innocent of any personal fraud. Reich had created advertising of his plugs displaying the plaintiff's trade-mark in large letters, with the words "genuine factory rebuilt", giving the public the impression that the plugs were rebuilt at the petitioner's factory. The display cards contained the petitioner's trade-

mark in type about four times as large as the other type, and the words "genuine factory rebuilt" were in comparatively small type. Reich advertised for salesmen in the newspaper to sell Champion spark plugs, without stating that they were reconditioned.

In addition to the foregoing facts, none of which exist in the case at bar, no proof was offered by the defense of the trade meaning of the word "reconditioned", and the Court accepted an academic definition strategically offered by the plaintiff, to the effect that it ought to mean to put back in the exact physical condition of the new plug (an impossibility, of course). The District Court then signed a finding No. 13 in that case to the effect that the plugs could not truthfully be referred to as "reconditioned plugs". Although the District Court denied an injunction, in spite of the *Emeter* case, the Circuit Court reversed, "in view of the findings". Such a finding, of course, might take the reconditioner out of the rule that equity will not enjoin telling the truth, which was the substance of the reconditioner's argument in the Circuit Court. In the case at bar, therefore, respondents proved by an abundance of evidence, including satisfactory cross examination of the petitioner's witnesses, that "reconditioned plug" is a trade term having the definite trade meaning of a used plug that has been restored somewhat to usefulness by cleaning the insulator and restoring the gap of the electrodes, which exactly describes the respondents' reconditioned plugs. There is, therefore, no finding here that respondents' plugs cannot be truthfully described as reconditioned plugs.

The case at bar, therefore, differs from the two cases of *Emeter* and *Reich* in that there is no fraud or palming off, and it is shown that these respondents truthfully describe their output as "reconditioned Champion plugs".

This case is therefore not governed by the *Reich* and *Emeuer* cases. No injunction should have issued by the District Court without positive proof of palming off, under the rule in the Second Circuit in the case of *Dupont Cellophane Co.* v. *Waxed Products Co.*, 85 Fed. (2d) 75, 81, cert. denied 299 U. S. 601, where the Court said:

> "The right of the complainant must be based upon a wrong which the defendant has done to it by misleading customers as to the origin of the goods sold and thus taking away its trade. Such rights are not based on a bare title to a word or symbol but on a cause of action to prevent deception."

Without palming off, the case at bar does not come within the record in the *Ingersoll* case (*supra*), which, incidently, does not deal with the rights of second-hand dealers, but with operations on new plugs that destroyed their functional value. In the case at bar there is no loss of functional value, and no showing of any conceivable damage to the plaintiff's trade-mark or reputation The case at bar does not come under the *Re-Nu* lamp case, because the instant case involves ordinary repairs and not reconstruction. Where new parts dominate the structural substance, the article is reconstructed; where the original parts preponderate over new parts, it is only repair.

> *Automotive J. Co.* v. *W. A. Co.*, 81 Fed. (2d) 125 (C. C. A. 8th).

The right to repair is not limited to the first purchaser from a patentee, or in this case, a trade-mark owner.

> *Goodyear Shoe Mach. Co.* v. *Jackson*, 112 Fed. 146 (C. C. A. 1st).

Under this principle it would seem clear that since previous owners have the right to recondition their prop-

erty, which is recommended by plaintiff, even to the extent of supplying the reconditioning machine, the respondents have the same right. This right is sometimes referred to in the cases as an implied license, and it is said that the manufacturer is estopped from objecting. In disregard of this principle, the District Court has said in its final opinion at folio 1547 that the prior owners may recondition, but respondents may not. This notion, that George may do it and John may not, seems to be error under the above rule.

Concerning implied license, the opinions in the latest case on this subject are interesting. Noting the success of the plaintiff in hamstringing its second-hand competition, the biggest vacuum cleaner manufacturer thought that this would be a dandy idea for him to try. He sued, and the lower Court granted an injunction like the one here, requiring the removal of the trade-mark. The Circuit Court modified by removing this requirement, and substituting the following provision:

> "From offering for sale or selling reconstructed or reconditioned vacuum cleaners using plaintiff's trade-mark Premier or Premier Duplex, or either of them, in the manner which has been employed; but not if the reconditioned or reconstructed vacuum cleaners are marked as prominently as the trade-marks, to indicate that the reconditioning was done by the appellant."

This is equivalent, in the case at bar, to providing that the respondents need not remove the trade or type marks, providing that defendants mark the cartons and containers to the effect that the within plug was reconditioned by defendants.

Elec. Vacuum Cleaner Co. v. *Green*, 132 F. (2d) 312. Judge HAMILTON of the Circuit Court filed a separate opinion, stating that he disagreed with so much of the majority

opinion as stated that the defendant did not possess an implied license to recondition the vacuum cleaners. He said:

> "Unconditional sales of their articles made by patentees or owners of trade-marks impliedly authorize the purchaser or his vendees to use, repair or improve such articles without restriction.
>
> As I view the facts, appellant was doing no more than repairing the partial damage caused by accidents to, or from wear and tear of, the vacuum cleaners in question. The original purchasers and their vendees of the machines acquired the whole of them, and the appellant here was exercising that care which everyone may use to lengthen the life of that which he has purchased."

Whether one says, under the foregoing authorities, that the petitioner possesses no right in law to interfere with the respondents, or accepts the view that the respondents possess an implied license, one arrives at the same conclusion, that the petitioner, under the decisions on the rights of second-hand dealers, is not entitled to the injunction which the District Court granted.

POINT II

The petitioner's position, and the injunction issued by the District Court, are contrary to public policy.

One would be unsophisticated indeed who did not realize the importance and influence of advertising propaganda in the world today. Advertising men are said to boast, for instance, that for a given appropriation they can compel the Americans in a given town to eat so many extra carloads of oranges in a given time. As is observed in the

majority opinion in *Mishawaka Mfg. Co.* v. *Kresge Co.*, 318 U. S. 203:

> "If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. . . . The creation of a market through an established symbol implies that people float on a psychological current engendered by the various advertising devices which give a trade-mark its potency."

The petitioner's officers testified that no plug can be successfully sold on the American market without expending large sums on advertising (fol. 125) and that if the plug is not known, regardless of merit, it disappears from the market (fol. 113).

The object of the petitioner's campaign against second-hand dealers in its goods, and the underlying motive for this suit, is obviously to destroy its second-hand competition by reducing its used product from a known plug, which can be sold even though used and repaired, to an unknown plug which cannot be sold. In this skullduggery the petitioner has enjoyed a certain success, and has curtailed or destroyed the business of its second-hand dealers, partly because no one has raised and no court has passed on the fact that such an effort is contrary to public policy. That such is the petitioner's real object appears in the type of drastic injunction which they seek, giving "relief" that has no possible bearing on injury to the plaintiff's trade-mark, and whose sole benefit is to embarrass the sale of the second-hand plug; thus, after the trade and type mark is removed and the petitioner has no possible further interest in the respondents' property, they want it painted a loud color and stamped "used" in a manner that requires

expensive machinery. It probably also explains the petitioner's ardent interest in large "accountings" from small concerns, which, presumably, would effectively put the small concern out of business. It probably explains the campaign of intimidation that the petitioner puts on by correspondence with reconditioners that it has not yet sued (Pltf. Exs. 22 and 28). Furthermore, that the elimination of the reconditioning business was the petitioner's actual motive was admitted by its Sales Manager in a weak moment in the Federal Trade Commission case (fol. 1632).

That this campaign of the petitioner is contrary to the public policy of the United States may not only be inferred from the series of decisions by the Supreme Court striking down various devices of patentees to control their product after it passed into the hands of the public, but also from the action of Congress on a proposed section of the Lanham Trade-Mark Bill which would have given the plaintiff by statute the very rights which it claims improperly here. The fact that the petitioner is the producer of a mere trade-marked article of manufacture gives the petitioner no greater right of control over its product in the hands of the public than is enjoyed by the holder of a patent, who has conferred an actual benefit upon society in return for whatever monopoly he possesses. As the Department of Justice in a publication entitled "*Antitrust Enforcement in the War and Post War Period*," says:

> "Enforcement of the antitrust laws has been adapted from time to time to the devices and fashions which the lawyers of each period utilized to avoid or circumvent the policy of the law. . . . Such a situation requiring recognition of a new fashion for cloaking restraint and monopoly may well be presented by the discernible tendency to shift from patents to trade-marks as colorable sanctions for monopolistic practices beyond the legal rights derived from ownership of a trade-mark."

The Court should now carefully note the following very interesting provision of the Lanham Trade-Mark Bill, which was stricken out of the bill in the 78th Congress:

> "Sec. 32 . . .
>
> (3) If goods bearing a registered trade-mark have been put on the market by or with the authority of the registrant of a registered trade-mark or in any package or container bearing said mark and a notice that the goods may be resold only unaltered or unrenovated or in the original package or container and said goods or any part thereof have, without the authority of the registrant, been transferred to another package or container or been in any way altered or renovated, any person who shall, in commerce, make any use of or reference to said registered mark upon or in connection with the sale or advertising of such transferred or altered or renovated goods shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided."

Opposition by the Department of Justice was presented in the Senate Committee on Patents. In addition to testimony at hearings, in which all sides were heard, the Department filed the following formal statement:

> "Section 32 of the proposed bill would seriously interfere with legitimate activities of the handlers and sellers of repaired and second-hand merchandise and machinery, and would tend to vest in the original manufacturer of trade-marked products extensive control over distributors of both new and second-hand products and materials. . . . In connection with used or second-hand products this section would in many industries give the manufacturer a right of veto on every sale of machines or products in a renovated or repaired condition if the original trade-mark were still affixed or if the trade-mark were necessary to identify a product or a part which was being sold. *This is an unprecedented grant of power*

to control a chattel after its sale and throughout its existence. Such power would tend to further concentrate control over distribution in the hands of large manufacturers and in many industries might place independent dealers in used and renovated products in the same position and subject to the same controls as sales agencies of the manufacturer. In many fields, such as equipment for retreading tires, typewriters, automobiles, vacuum cleaners and machine tools, trade-marks may be affixed to the machine in such a manner as to require destruction of a function or a functional part of the product if the mark is to be effaced. In other situations a mark may be essential to describe a machine for which a repair or replacement part may be used. *The standards of present law are met so long as sellers of second-hand or of replacement or repair parts make clear the nature of the product they are selling and do not misrepresent its origin and the fact of repair or reconditioning if such has occurred.* But under the bill the original manufacturers would be given the power to control remote sellers, distributors and repairers.

Section 32(3) may mean that the dealer in second-hand Chevrolets would have to get the consent of General Motors to sell them as Chevrolets. It would enable the manufacturer to dictate prices and trade-in allowances, and as practical matter might enable the manufacturer to prohibit the sale of older automobiles entirely."

Similar criticism was also voiced in articles in law reviews. An example is the article on "*Possible Monopoly Implications in the Trade-Mark Bill, 32 Georgetown Law J. 171,*" which says:

> "One further provision of the bill, having to do with renovated or altered goods, merits comment. Section 32(3) provides, in substance, that where goods are put upon the market bearing a registered mark and notice that the goods may be resold only unal-

> tered or unrenovated, it shall be unlawful for anyone, without the authority of the registrant, to make use of or reference to the registered mark in connection with the sale or advertising of such goods after alteration or renovation, and that anyone so doing shall be liable to a civil action by the registrant. Literally applied, the language of the section would seem sufficient to prevent the sale of second-hand automobiles, radios, refrigerators, etc., without removing the name plates therefrom—at least in every instance where any repair, 'alteration', or 'renovation' is required to place the product in saleable condition, and it is common knowledge that some 'renovation' is usually necessary. In other words, a second-hand Ford could not be sold as a Ford automobile, nor a second-hand R. C. A. radio as an R. C. A., nor a second-hand General Electric refrigerator as a G. E. Other illustrations will readily occur, and the possibilities for manufacturers to eliminate the competition of second-hand markets are apparent."

The Court should now be informed of the fate of this objectionable section of the proposed law. After full hearings, it was totally rejected by the Senate Committee on Patents, and as appears from page 2 of Report 1303 of the Senate Committee on Patents, it was entirely deleted from the bill as reported to the section. It failed of passage before the end of the session, and a new bill was introduced in the 79th Congress. In the new bill the offending section was entirely deleted, and the new deleted bill was reported favorably by the House Committee and passed the House on February 26, 1945. The bill was then sent to the Senate, where it was referred to the Committee on Patents, and it has not yet been reported by that Committee.

Thus, in the case at bar, the District Court made a decision which granted the petitioner manufacturer rights which the Congress of the United States, after full hearings

and consideration, decided not to grant to manufacturers. The injunction below is, therefore, not only generally but in a very specific way, against the public policy of the United States.

The theory of law on which plaintiff relies being contrary to consumer interest and to public policy, the plaintiff is entitled to no injunction. As the Supreme Court said in *Morton Salt Co.* v. *Suppinger*, 314 U. S. 488:

> "It is a principal of general application that courts, and especially courts of equity may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest."

The doctrine was reaffirmed recently in *Mercoid Corp.* v. *Mid-Continent Inv. Co.*, 320 U. S. 661:

> "It is the public interest which is dominant in the patent system . . . It is sufficient to say that in whatever posture the issue may be tendered courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest."

A mere trade-mark owner has not conferred the benefit upon society for which monopolies are granted to patentees, and is in less position than a patentee to claim rights against the public interest, or to control resale and repair of his product. The tendency of manufacturers like the petitioner to shift from patents to trade-marks to support their efforts to extend monopolistic controls over their second-hand market, should meet with the same failure they experienced in trying to use their patents in the same way. The situation calls for the basic approach and large grasp, revealed in the concurring opinion of Judge FRANK in *Standard Brands* v. *Smidler*, 151 F. (2d) 34 (C. C. A. 2nd), and in the opinion of the Circuit Court in the instant case. The decision should accord with the public policy of the United

States, and not be one which in subsequent application would ruin the second-hand trade of our country. Any victory for the petitioner herein on any such theory as the petitioner urges, in the highest court, would confront the nation's dealers in second-hand goods with an amazing new and business-wrecking problem, and present the consumers of the country with difficulties of unpredictable nature and extent. The petitioner should not succeed.

REPLY TO PETITIONER'S ARGUMENT

A. The contention that respondents' plugs are no longer Champion spark plugs.

This notion of the petitioner is based upon the erroneous theory that the trade-mark, instead of indicating the original manufacturer, designates the merchandise, so that as soon as a spark plug, or an automobile, etc., has suffered the normal deterioration which comes from use, with or without repair, and thus no longer complies with the specifications for the new article, it is then no longer a Champion spark plug, a Buick car, a G. E. refrigerator, and so on, as the case may be. It overlooks the fact that Champion spark plug, a Buick car, etc., are generic terms which cover two specific sub-classes: (a) the new article, and (b) the used article, with or without repairs.

It is quite true that the reconditioned plugs are no longer new plugs, but it is equally true that they belong to the second class of used articles. That the used and repaired Champion spark plug, honestly sold as such, does not have the specifications of the new article, is obviously implied and universally understood. This is true of all other second-hand mechanical devices. Purchasers understand that they are not getting the specifications of a new

article, and this deprivation is compensated for by the difference in price, the used article being universally cheaper than the new article.

It is absurd to argue that the reconditioned plugs are no longer "Champion plugs" in the generic sense, because they belong to the sub-class "used and repaired Champion spark plugs". It is like saying that a terrier is not a dog because it is not a spaniel, or that a car is no longer a Chevrolet because it has been driven 20,000 miles, given new piston rings, a valve grinding job, and a storage battery of different manufacture.

Likewise petitioner cannot argue that the reconditioned plugs are no longer of the type number marked thereon by the petitioner. The type number covers such non-functional variations as the thread size, and the size of the cylinder hole into which the plugs fit. They have not been affected by reconditioning. It also covers the heat range, and plaintiff failed to show that the changes in the reconditioned insulators were so extensive as to make the reconditioned insulator correspond with the new insulator of a different type number. Petitioner had the mechanical equipment to test the plugs and show this fact if it existed (R. 271), and has thus failed to prove any such contention. Anyone buying a used plug would understand that it would not precisely correspond with the heat range of the new plug, and be satisfied to buy it none the less at its great discount of one-third the price of a new plug. Such a purchaser would try the reconditioned plug in his motor, and if it functioned properly would see that its heat range is proper for his particular motor, under his particular driving conditions, for the evidence, even the petitioner's, clearly indicates that the selection of precisely the right plug for a particular engine is only accurately determined by the performance of the plug in use (R. 233, 183, 394-395).

B. The contention about respondents' packaging.

The Circuit Court very properly held that the action of the second-hand dealer in leaving the trade-mark and style mark on the repaired merchandise, and in advertising and selling the product as reconditioned Champion spark plugs, did not constitute trade-mark infringement or unfair competition. The only thing, said the Circuit Court, that "might" not be clear, since the name and address of the reconditioner was not on the packaging, was that respondents and not petitioner did the reconditioning. This lack of name and address was the basis of the Circuit Court finding of "unfair competition and trade mark infringement". At this point we might say that this seems to us to be a small thing, and that it should be obvious from the present packaging that the reconditioning was not done by the petitioner. The reason the name and address is not on the present packaging, is, of course, that certain buyers prefer their packages that way, so that they can put their own name and address on the packages for resale. For instance, an importer in Venezuela would want to sell them as his own import, without respondents' name and address thereon, so that no competing importer could find out where to buy and import such reconditioned plugs from the United States. We have felt that the Circuit Court's view, which would prohibit such a legitimate business arrangement, is far-fetched, but we did not wish to file a cross-petition for certiorari about it, and the matter is not of such great importance to us that we would want to raise substantial objections. However, this Court, realizing that it is making law for second-hand dealers in second-hand goods of all descriptions, may wish to reconsider this question. We know of no other second-hand field in which the repairman, before parting with the repaired trade-marked product,

must put his name and address on it or the container, under penalty of being held guilty of trade-mark infringement. This Court may not wish to establish such a rule of law, so contrary to established trade practice.

Let us now pass to the examination of a cute argumentative trick attempted by petitioner, which would do credit to Zeno or any other Greek sophist. The Circuit Court has held that sale of the reconditioned plugs without respondents' name and address is a violation, but that leaving on the trade-mark, etc., is not. Very well, now says the petitioner, since we have established that there is a violation, let us have "adequate relief" by requiring the trade-mark, etc., to be removed. In other words, if I bought a house and lot next to petitioner and then trespassed on petitioner's land, petitioner would sue to enjoin the trespass and to compel me to sell my house; upon the lower court holding that my trespass could be enjoined but I could not be required, as a matter of substantive law, to sell my house, petitioner would appeal, claiming that since I had been held guilty of trespass I should be required to sell my house and move away, to give petitioner "adequate relief".

C. The contention that the Circuit Court should not have changed the fact findings.

The District Court in its findings seems to have leaned over backwards in emphasizing the difference between the new and the reconditioned plugs. For instance, in its finding 13 that court held that the patented slim neck in some new plugs had been destroyed in the reconditioned plugs. On such plugs the firing end of the insulator is shaped like an inverted human head, neck, and shoulders. This neck design is patented (Pet. Ex. 20). That the neck is the patent appears from a reading of the patent and from the

summary of the patent given by the petitioner's engineer on record page 209. Obviously, the reconditioning operation could not affect the existence of such a neck, for while sandblasting might cause wear of the insulator surface down around the bottom thereof, any such wear could not affect the fact that the particular insulator is designed with a neck, now could it destroy such a neck.

Likewise the District Court's findings to the general effect that the reconditioned plugs were so changed that they could not properly be sold as Champion plugs were, as the Circuit Court succinctly put it, "without substantial basis". It is admitted by respondents that changes from the new condition have occurred in the reconditioned plugs, and that such changes are inevitable in use alone, or in use plus repairs, in any spark plug, just as they are inevitable in autos, lead pencils, or any other device whose use involves wear or deterioration of the original materials. The evidence is overwhelming, however, that the extent of wear and change on the reconditioned plugs is insufficient to interfere with their functioning. In spite of possessing adequate equipment to give practical comparative tests to the reconditioned plugs, the petitioner's engineer avoided making such tests (R. 271), and contented himself with theoretical criticism of the minute changes involved, and saying that it was his "opinion" that the reconditioned plugs would not function as well as new plugs, which left the case in somewhat the same state as European physics between Aristotle and Galileo, when Aristotle had said it was his "opinion" that a ten-pound weight would fall to the ground ten times as fast as a one-pound weight, and everybody believed it for 1500 years until Galileo took the two weights to the top of the Leaning Tower of Pisa, dropped them off, and showed that they both hit the ground at the same time.

The belated excuse for the absence of such tests, appearing for the first time in petitioner's brief in this Court, that such tests would have spoiled the plugs, is without support by any testimony, nor does it even sound plausible, and even if it were true, they could certainly have tested some of the plugs. Incidently, the record shows that the technical education of the petitioner's "engineer", giving out with his opinions about our reconditioned plugs, has been limited to a six months course in mechanical drafting at a night school (R. 211). While he was presented as the petitioner's chief engineer, it is at least conceivable that this may only indicate that he is somebody's relative, friend, or son-in-law.

On the other hand, the respondents' highly qualified engineering witnesses Kasarjian and Cameron supported their opinions by their testimony that they had actually given the reconditioned plugs performance tests, and that they functioned as well as new plugs (R. 393-394 and 417-418). Likewise, the respondents' witnesses Sanders, Gedde, Cameron and Kasarjian testified without contradiction that they had used the reconditioned plugs extensively in automobiles, and that they functioned like new plugs (R. 306, 383, 394 and 416).

The importance of this is that it shows that the changes which have occurred in the reconditioned plugs are slight and meaningless from any practical point of view, and that thus they may be ignored by a court of equity under the maxim *De minimis non curat lex.* The point is that in this case the exhibition of original functioning power by the reconditioned plug is due to the immateriality of the changes that have taken place, so that the plug retains its original functional quality—and that it is not due to some elaborate reconstruction of the plug by respondents, giving the plug new qualities which it never had before, and which by co-

incidence are similar in performance to new plugs. Thus, the respondents do not change the core and the shell, put on six new side electrodes *instead of one, and produce* a similar performance which is in no way due to the original virtues of the plug. As the petitioner's engineer admitted, the important functional difference between spark plugs and, the object of difference in design, is the heat range (R. 233), which is determined by the area of surface of the insulator between the electrode, where the heat originates, and the gasket on the plug, where the heat dissipates into the cooling water. If the insulator is long, the plug operates at a hotter temperature because the heat has further to travel before being dissipated, and vice versa, if the insulator is short, the plug is cooler. Reconditioning, such as advised by the petitioner and done on its sandblaster or reconditioning machine, called by the petitioner a cleaner, tends to remove a small portion of the insulation, and this theoretically changes minutely the heat range of the plug. The change is the mathematical ratio between the surface area of the insulator before and after reconditioning. Now in the everyday use of the petitioner's plugs by the public, these minute changes in heat range are a regular and harmless thing. The petitioner recommends that its plugs be used for 10,000 miles, and reconditioned every 2500 miles (Resp. Ex. A) which means that the petitioner recommends that each plug be reconditioned three times by the owner, each operation theoretically changing the heat range. In practice, obviously, this theoretical change in heat range is meaningless, just as the respondents' witness Kasarjian testified.

There is, therefore, no basis in the evidence for the District Court's view that the heat range and functional ability of the reconditioned plugs had been materially impaired, as implied in its findings 13 and 14. Had the heat range, for

instance, been "adversely" affected, this would mean that the plug insulator had been reduced in size to that of the insulator of a plug bearing a different type number. The petitioner's expert gave no such testimony. Had his measurements shown this, he would certainly have tested the plugs for heat range on the equipment which he admittedly had available and did not use, and would have testified to such fact. That he did not do so, indicates clearly that the change has been to no such material extent, just as testified by the respondents' engineer (R. 424). The Circuit Court was clearly right in stating that the trial court's finding that the reconditioned plugs were so altered that they could not properly be sold with the trade-mark "Champion" on them, was "without substantial basis".

D. The contention that the existing relief is insufficient.

The present decision of the Circuit Court provides that each plug shall be marked "used" with a hot stamp, and the metal shell thereof shall be painted with aluminum paint or some other paint differing considerably from the dark steel of a new plug. This is a change from the respondents' former practice of painting the shells with a dark blue paint, which the Circuit Court evidently thought resembled too much the appearance of the unpainted steel of new plugs, a circumstance which prompted that Court to say that the compliance with the Federal Trade Commission order was not a satisfactory, though an attempted, one. (We have had no complaints from the Federal Trade Commission on this score.)

This provision makes each reconditioned plug readily distinguishable in appearance from a new plug, and to make this distinction, one does not have to be an expert, or to have even any knowledge of spark plugs: a child in kindergarten can do it. Yet the petitioner blandly com-

plains here that there is not enough distinction. For instance, petitioner does not want the plugs stamped with the hot stamp, for that is too cheap and easy for the little repairman; petitioner wants to force a method of stamping, as provided in the District Court injunction, that would require the reconditioner to purchase a big and expensive rolling machine to indent the word "used" into the metal shell without cracking the porcelain insulator. Just another item to make it tough for the reconditioner and if possible run him out of business. Such a demand is made in spite of the fact that the record is devoid of the slightest proof that anyone mistook the reconditioned plugs for new ones, even when they were painted dark blue and stamped with a hot stamp, and in spite of the further fact that petitioner agreed by a consent order that the not-stamp method of marking the plugs would be a sufficient compliance with the terms of the preliminary injunction (R. 511, 512), which indicates that the hot stamp method is sufficient to protect the petitioner's interest that the reconditioned plugs be not confused with new plugs.

Petitioner next argues that the respondents should not be permitted to state in their advertising, etc., that they have reconditioned Champion spark plugs for sale. By the same token, a dealer in second-hand cars, radio sets, and the like, should be forbidden to mention in his advertisements the make of used and repaired article he has for sale. The respondents would be compelled to advertise as follows:

> "we have reconditioned spark plugs for sale, whose make and type number we are not at liberty to state."

Naturally orders from such an advertisement would be few and far between, which is what the petitioner really wants, for it is certainly clear that the petitioner cannot actually

be prejudiced by advertisement of reconditioned Champion spark plugs, so long as it is clear that the product offered is used and reconditioned, and hence, by common experience, not exactly the same as a new article, or even as efficient, but at least cheaper.

Similarly the petitioner claims that the type number and make should not be stamped on the container. Why not? As long as the container makes it clear that the product inside is reconditioned, stamping the original make and type number on the container is merely a convenient way of supplying truthful information, to which the public is entitled. Petitioner possesses no copyright on the mere word "Champion". And as to type numbers, the evidence shows that the petitioner's type or grade marks consist of letters and numbers, a form of signification used by many other manufacturers, and that such style marks are not part of the petitioner's registered trade-mark. Requiring their removal and disuse would be contrary to a long line of decisions running from *Mfg. Co.* v. *Trainer*, 101 U. S. 51, 55, decided in 1879, to *Simmons Co.* v. *Cantor*, 57 Fed. Supp. 992, 995, decided in 1944, holding that numerals, letters, or symbols placed on goods to indicate class, grade, or style, are not trade-marks and are incapable of exclusive appropriation.

The final claim of petitioner, that in the guise of relief the trade and type marks should be removed from the plugs has been shown previously in this brief to be improper as a matter of substantive right, and hence not to be considered in the guise of relief.

E. The contention that petitioner should have an accounting.

For a long time, 15 U. S. C. A. Sec. 99 has been interpreted to mean that the right to an accounting is governed

by various equitable considerations. In other words, the statute says "shall" and not "must", and the word "shall" has been interpreted as meaning that the grant of an accounting is discretionary, and not mandatory. Thus this Court has said that where the defendant has acted in good faith, no accounting will be decreed.

Saxlehner v. *Siegel-Cooper Co.*, 179 U. S. 42.

Later this Court reaffirmed that a plaintiff is not entitled to an accounting as a matter of right.

Strauss v. *Notascome Co.*, 240 U. S. 179.

This rule, that the grant of an accounting is discretionary, has been followed without exception by the lower Federal Courts, and some law has developed as to what should guide the exercise of such discretion. Thus it is said that an accounting will not be ordered where an injunction will satisfy the substantial equities of the case.

Rowley Co. v. *Rowley*, 193 Fed. 390.

It is also held that where no actual wrongful intent to injure the trade-mark owner is shown, and no substantial damage proved, an accounting will not be ordered.

Hemmeter Cigar Co. v. *Congress Cigar Co.*, 118 Fed. (2d) 64 (C. C. A. 6th).

Here the plaintiff delayed 15 years before bringing suit. Yet a delay of 8 years in bringing suit for trade-mark infringement and unfair competition has been held to bar an accounting.

Middlesly, etc. Oven Co. v. *Williams Oven Mfg. Co.*, 12 Fed. (2d) 919 (C. C. A. 2nd).

The fact that the defendant is not a large concern has been held to be an additional element to be taken into consideration in denying an accounting..

America Thread Co. v. *North American Thread Co.*, 33 Fed. Supp. 616.

Specific application of these rules has already been made to the petitioner's suits against reconditioners of spark plugs. In the *Emener* case, previously discussed, the reconditioner's lawyer stipulated it to be a fact that dealers to whom Emener was supplying reconditioned plugs were selling them as new plugs, but no fraud was proved against Emener himself. For this reason the Court characterized the controversy as an honest trade dispute and no accounting was granted. In the *Reich* case, on the other hand, the proof was that Reich himself had been guilty of false and misleading advertising and inducing the public to believe that his plugs were the plaintiff's product, rebuilt at the plaintiff's factory, and his attorney came into court and admitted the impropriety of Reich's conduct, and promised a changed course of action. In that case an accounting was granted.

The respondents' case is superior in equity to even the *Emener* case, for no fraud or palming off has been shown on the part of either respondents or their customers or their customers' customers, or anyone.

Now the petitioner claims that the case of *Mishawaka Rubber Co.* v. *S. S. Kresge Co.*, 316 U. S. 203, has overthrown this long established rule of law, and made the granting of an accounting mandatory. This is incredible. The statute, passed in 1905, was long ago interpreted as discretionary, and the rule has been consistently adhered to. During this long period a great many sessions of the

United States Congress have convened, and no attempt was ever made to change the statute to overthrow this established rule of construction. This shows that the rule is in accordance with the actual intent of Congress. And well it might be, for it is the wisest rule. There must of necessity arise many cases in trade-mark law where the contention of violation is technical and dubious, and the threat of a bankruptcy-creating accounting should not be given to a trade-mark owner in such cases to serve as a bludgeon to compel premature surrender of the defendant and prevent proper legal adjudication of such questionable claims. Yet that is exactly what the petitioner is looking for here. It wants the threat of a devastating accounting, as well as years of litigation, to use to scare reconditioners out of business, and eliminate its second-hand competition, and compel the owners of even old and wheezy cars to buy brand new plugs from the plaintiff at three times the price of a reconditioned plug.

A reading of the *Mishawake* case does not permit any such interpretation as that placed on it by petitioner, and the case is not being construed by the lower courts as making the grant of an accounting mandatory. Thus the decision in *Durable Toy and Novelty Corp.* v. *J. Chein & Co.*, 133 Fed. (2d) 853 (C. C. A. 2d) says:

> "Misawake Mfg. Co. v. Kresge Co., 316 U. S. 203, 62 S. Ct. 1022, 86 L. Ed. 1381, was a very different case; the District Court had found—and the Circuit Court of Appeals had affirmed the finding—that there was a reasonable likelihood that some purchasers might have been induced by the purchaser's belief that he was obtaining the petitioner's product. . . . Upon that as a premise the court imposed the burden of showing which of its sales did not result from the confusion it has presumptively caused."

The petitioner then goes further and claims that an accounting should have been granted as a matter of discretion. This claim is without the slightest merit. The respondents have always in good faith contested such claims as the petitioner asserts, and they are only a small concern that would be put out of business by an accounting. Respondents have not palmed off their goods as new plugs, and have shown no wrongful intent to injure the petitioner. No substantial damage is indicated, and no buyers are shown to have been misled. The petitioner waited fifteen years before bringing suit, realizing, no doubt, that it had no proper basis for a suit against this particular concern. For many years the respondents have been conducting their business in accordance with an order of the Federal Trade Commission, and any citizen, especially a small business man, should be entitled to think that the orders of the Commission are in accordance with law, at least until some high court rules otherwise. While the Circuit Court said that the compliance was not satisfactory, though attempted, the Federal Trade Commission investigators thought it was all right, and a small business man should not be expected to divine, under penalty of an annihilating accounting, that the Federal Trade Commission does not know what its orders mean or when they are being complied with. The Circuit Court's view that the name and address of respondents must be on the containers was not required by the Commission, and respondents cannot be blamed for failing to anticipate such a ruling from the Circuit Court, in the absence of any prior law, and for accordingly granting the request of some customers buying for resale that the name and address be omitted from the containers.

Under all the decisions, therefore, and the equities of this case, the petitioner is entitled to no accounting.

Conclusion

This terminates the presentation of respondents' case. The Court is respectfully requested to bear in mind that the rights of a great many second-hand dealers in the country are involved in the rulings made here, and that important questions of policy present themselves. With this final observation the respondents submit their case to the judgment of this Court, and request that all relief sought by petitioner be denied.

Respectfully submitted,

JOHN WILSON HOOD,
Counsel for Respondents.

SUPREME COURT OF THE UNITED STATES

No. 680.—October Term, 1946.

Champion Spark Plug Company, Petitioner, v. Peter Sanders, Samuel Sanders and Harry Sanders, doing business as The Perfect Recondition Spark Plug Company.	On Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit.

[April 28, 1947.]

Mr. Justice Douglas delivered the opinion of the Court.

Petitioner is a manufacturer of spark plugs which it sells under the trade mark "Champion." Respondents collect the used plugs, repair and recondition them, and resell them. Respondents retain the word "Champion" on the repaired or reconditioned plugs. The outside box or carton in which the plugs are packed has stamped on it the word "Champion," together with the letter and figure denoting the particular style or type. They also have printed on them "Perfect Process Spark Plugs Guaranteed Dependable" and "Perfect Process Renewed Spark Plugs." Each carton contains smaller boxes in which the plugs are individually packed. These inside boxes also carry legends indicating that the plug has been renewed.[1] But respondent company's business name or address is not printed on the cartons. It supplies customers with petitioner's charts containing recommendations for the use of Champion plugs. On each individual plug is stamped in small letters, blue on black, the word "Renewed," which at time is almost illegible.

[1] "The process used in renewing this plug has been developed through 10 years continuous experience. This Spark Plug has been tested for firing under compression before packing."

"This Spark Plug is guaranteed to be a selected used Spark Plug, thoroughly renewed and in perfect mechanical condition and is guaranteed to give satisfactory service for 10,000 miles."

Petitioner brought this suit in the District Court, charging infringement of its trade mark and unfair competition. See Judicial Code § 24 (1), (7), 28 U. S. C. § 41 (1), (7). The District Court found that respondents had infringed the trade mark. It enjoined them from offering or selling any of petitioner's plugs which had been repaired or reconditioned unless (a) the trade mark and type and style marks were removed, (b) the plugs were repainted with a durable grey, brown, orange, or green paint, (c) the word "REPAIRED" was stamped into the plug in letters of such size and depth as to retain enough white paint to display distinctly each letter of the word, (d) the cartons in which the plugs were packed carried a legend indicating that they contained used spark plugs originally made by petitioner and repaired and made fit for use up to 10,000 miles by respondent company.[2] The District Court denied an accounting. See 56 F. Supp. 782, 61 F. Supp. 247.

The Circuit Court of Appeals held that respondents not only had infringed petitioner's trade mark but also were guilty of unfair competition. It likewise denied an accounting but modified the decree in the following respects: (a) it eliminated the provision requiring the trade mark and type and style marks to be removed from the repaired or reconditioned plugs; (b) it substituted for the requirement that the word "REPAIRED" be stamped into the plug, etc., a provision that the word "REPAIRED" or "USED" be stamped and baked on the plug by an electrical hot press in a contrasting color so as to be clearly and distinctly visible, the plug having been completely covered

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[2] The prescribed legend read:

"Used spark plug(s) originally made by Champion Spark Plug Company repaired and made fit for use up to 10,000 miles by Perfect Recondition Spark Plug Co., 1133 Bedford Avenue, Brooklyn, N. Y."

The decree also provided:

"the name and address of the defendants to be larger and more prominent than the legend itself, and the name of plaintiff may be in slightly larger type than the rest of the body of the legend."

by permanent aluminum paint or other paint or lacquer; and (c) it eliminated the provision specifying the precise legend to be printed on the cartons and substituted therefor a more general one.[3] The case is here on a petition for certiorari which we granted because of the apparent conflict between the decision below and *Champion Spark Plug Co.* v. *Reich*, 121 F. 2d 769, decided by the Circuit Court of Appeals for the Eighth Circuit.

There is no challenge here to the findings as to the misleading character of the merchandising methods employed by respondents, nor to the conclusion that they have not only infringed petitioner's trade mark but have also engaged in unfair competition.[4] The controversy here relates to the adequacy of the relief granted, particularly the refusal of the Circuit Court of Appeals to require respondents to remove the word "Champion" from the repaired or reconditioned plugs which they resell.

We put to one side the case of a manufacturer or distributor who markets new or used spark plugs of one make under the trade mark of another. See *Bourjois & Co.* v. *Katzel*, 260 U. S. 689; *Old Dearborn Co.* v. *Seagram Corp.*, 299 U. S. 183, 194. Equity then steps in to prohibit defendant's use of the mark which symbolizes plaintiff's good will and "stakes the reputation of the plaintiff upon the character of the goods." *Bourjois & Co.* v. *Katzel, supra*, p. 692.

We are dealing here with second-hand goods. The spark plugs, though used, are nevertheless Champion plugs and not those of another make.[5] There is evidence

[3] "The decree shall permit the defendants to state on cartons and containers, selling and advertising material, business records, correspondence and other papers, when published, the original make and type numbers provided it is made clear that any plug referred to therein is used and reconditioned by the defendants, and that such material contains the name and address of defendants."

[4] See *Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493–494; *Warner & Co.* v. *Lilly & Co.*, 265 U. S. 526, 530.

[5] Cf. *Federal Trade Commission* v. *Klein*, 5 F. T. C. 327.

to support what one would suspect, that a used spark plug which has been repaired or reconditioned does not measure up to the specifications of a new one. But the same would be true of a second-hand Ford or Chevrolet car. And we would not suppose that one could be enjoined from selling a car whose valves had been reground and whose piston rings had been replaced unless he removed the name Ford or Chevrolet. *Prestonettes, Inc.* v. *Coty*, 264 U. S. 359, was a case where toilet powders had as one of their ingredients a powder covered by a trade mark and where perfumes which were trade marked were rebottled and sold in smaller bottles. The Court sustained a decree denying an injunction where the prescribed labels told the truth. Mr. Justice Holmes stated, "A trade mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. . . . When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo." P. 368.

Cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words "used" or "repaired" were added. Cf. *Ingersoll* v. *Doyle*, 247 F. 620. But no such practice is involved here. The repair or reconditioning of the plugs does not give them a new design. It is no more than a restoration, so far as possible, of their original condition. The type marks attached by the manufacturer are determined by the use to which the plug is to be put. But the thread size and size of the cylinder hole into which the plug is fitted are not affected by the reconditioning. The heat range also has relevance to the type marks. And there is evidence that the reconditioned plugs are inferior so far as heat range and other qualities are concerned. But inferiority is expected in most second-hand articles. Indeed, they generally cost the customer less. That is the case

here. Inferiority is immaterial so long as the article is clearly and distinctly sold as repaired or reconditioned rather than as new.[6] The result is, of course, that the second-hand dealer gets some advantage from the trade mark. But under the rule of *Prestonettes, Inc.* v. *Coty, supra*, that is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled.

The decree as shaped by the Circuit Court of Appeals is fashioned to serve the requirements of full disclosure. We cannot say that of the alternatives available the ones it chose are inadequate for that purpose. We are mindful of the fact that this case, unlike *Prestonettes, Inc.* v. *Coty, supra*, involves unfair competition as well as trade mark infringement; and that where unfair competition is established, any doubts as to the adequacy of the relief are generally resolved against the transgressor. *Warner & Co.* v. *Lilly & Co.*, 256 U. S. 526, 532. But there was here no showing of fraud or palming off. Their absence, of course, does not undermine the finding of unfair competition. *Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493–494; *G. H. Mumm Champagne* v. *Eastern Wine Corp.*, 142 F. 2d 499, 501. But the character of the conduct giving rise to the unfair competition is relevant to the remedy which should be afforded. See *Siegel Co.* v. *Federal Trade Commission*, 327 U. S. 608. We cannot say that the conduct of respondents in this case, or the nature of the article involved and the characteristics of the merchandising methods used to sell it, called for more stringent controls than the Circuit Court of Appeals provided.

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[6] See *Federal Trade Commission* v. *Typewriter Emporium*, 1 F. T. C. 105; *Federal Trade Commission* v. *Check Writer Manufacturers*, 4 F. T. C. 87; *In the Matter of Federal Auto Products Co.*, 20 F. T. C. 334.

Mishawaka Mfg. Co. v. *Kresge Co.*, 316 U. S. 203, states the rule governing an accounting of profits where a trade mark has been infringed and where there is a basis for finding damage to the plaintiff and profit to the infringer. But it does not stand for the proposition that an accounting will be ordered merely because there has been an infringement. Under the Trade Mark Act of 1905,[1] as under its predecessors, an accounting has been denied where an injunction will satisfy the equities of the case. *Saxlehner* v. *Siegel-Cooper Co.*, 179 U. S. 42; *Rowley Co.* v. *Rowley*, 193 F. 390, 393; *Middleby-Marshall Oven Co.* v. *Williams Oven Mfg. Co.*, 12 F. 2d 919, 921; *Golden West Brewing Co.* v. *Milonas & Sons*, 104 F. 2d 880, 882; *Hemmeter Cigar Co.* v. *Congress Cigar Co.*, 118 F. 2d 64, 71–72; *Durable Toy & Novelty Corp.* v. *J. Chein & Co.*, 133 F. 2d 853, 854–855. The same is true in case of unfair competition. *Straus* v. *Notaseme Co.*, 240 U. S. 179, 181–183. Here, as we have noted, there has been no showing of fraud or palming off. For several years respondents apparently endeavored to comply with a cease and desist order of the Federal Trade Commission requiring them to place on the plugs and on the cartons a label revealing that the plugs were used or second-hand. Moreover, as stated by the Circuit Court of Appeals, the likelihood of damage to petitioner or profit to respondents due to any misrepresentation seems slight. In view of these various circumstances it seems to us that the injunction will satisfy the equities of the case.

Affirmed.

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[1] Section 19 of that Act, 33 Stat. 724, 729, 15 U. S. C. § 99, provides in part, ". . . upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction."